

Maryland Agricultural and Resource-Based Industry Development Corporation

Welcome to the 2007 Annual
Rural Summit!



Rural Maryland Concerns in the 21st Century

- Declining manufacturing industries & a lack of good paying jobs (Western MD and Eastern Shore esp.)
- Lack of access to available and affordable health care services
- Decaying or inadequate water and sewer infrastructure
- Dying main street shopping areas and small community redevelopment challenges
- Lack if available and/or affordable broadband communications services
- Lack of resources for regional cooperation (among counties and towns)
- Lack of good support for rural entrepreneurs (both technical assistance and access to capital)

And Also..... Land Development Pressure

- Sprawl Residential Development.
- Development pressure threatens existing farmland and woodland.
- Skyrocketing costs of land also makes it difficult for new farmers to enter field.



2020 Rural Prosperity Investment

MAJOR RURAL POLICY PROPOSAL FROM 2003/2004:

- The “2020 Rural Maryland Prosperity Investment Initiative” was a 15-year state strategy to promote economic prosperity in Maryland’s traditionally underserved rural communities and industries.
- The Initiative proposed targeted investments (both small and large) in important economic and community development programs that would have benefitted Rural Maryland.





2020 Rural Prosperity Investment

- The rural funding investments outlined in the 2004 legislation would sunset after FY 2020.
- The proposal, spearheaded by the RMC, had broad support from many rural interests including ag, forestry, regional councils, local governments and most importantly the Legislative Rural Caucus.



2020 Rural Prosperity Investment

MAJOR RURAL POLICY PROPOSAL FROM 2003/2004:

- The 2020 Rural Maryland Prosperity Investment Initiative was designed to make significant targeted investments in rural economic and community development programs and in key rural industry sectors in a dozen key areas of priority concern.
- But it cost \$17 million + per year (until 2020).
- Only MARBIDCO was approved (but almost totally unfunded until FY 2007).

2004 Legislation authorizes MARBIDCO to:

- Alleviate the shortage of affordable, non-traditional capital and credit
- Develop ag industries and markets
- Support appropriate tech transfer and commercialization
- Additional Aim: Leverage knowledge, human capital, and financial resources – both public and private

MARBIDCO Mission



- Help farm, forestry, and seafood businesses achieve profitability and sustainability.
- Provide targeted services and a specialized support infrastructure that helps retain existing rural businesses and commerce.
- Promote rural entrepreneurship and nurture emerging Ag/RBI industries.
- Sustain the rural working landscape.



Modeled on:

- MEDCO (MD Economic Development Corporation) – which focuses primarily on real estate development
- TEDCO (MD Technology Development Corporation) – which focuses on high technology development
- Ag financing authorities in other states



MARBIDCO Board

- MD Dept of Ag
- Dept of Natural Resources
- Dept of Business & Economic Development
- MD Cooperative Extension
- MD Food Center Authority
- Rural Maryland Council
- Governor appoints 11 members from dairy, forestry, equine, poultry, horticulture, and seafood industries; and experts in food processing, commercial finance, and rural economic development



Other Partners

- USDA (and other Federal Agencies)
- MD Ag Land Preservation Foundation
- Commercial banks & Farm Credit System
- Farm and commodity groups
- Rural industry associations
- Rural Regional Development Councils
- Local economic development agencies
- Foundations and local land trusts

Agricultural Stewardship Act of 2006 (HB 2)

- Mandates \$3-4 million annually for MARBIDCO's rural business development assistance services (until 2020)
- Authorizes MARBIDCO's Next Generation Program
- Also authorizes county Priority Preservation Areas (PPAs), etc. etc.



Available in 2007

- Maryland Resource-Based Industry Financing Loan Fund
- Rural Business Energy Efficiency Program
- Rural Business Working Capital Loan Fund
- Maryland Farm and Producer Viability Program
- 2007 Farm Drought and Weather Event Recovery Assistance Loan Fund



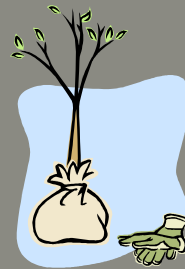
MARBIDCO Loan Programs

- Maryland Resource-Based Industry Financing Fund Loan
- Rural Business Working Capital Loan Fund
- 2007 Farm Drought and Weather Event Recovery Assistance Loan Fund



Maryland Resource-Based Industry Financing Loan Fund

- Offers low-interest (2% APR) loans to established Ag/RBI firms for the purchase of land and capital equipment for production and processing activities.
- Maximum Loan Amount - \$250,000.
- A commercial lender and/or a public instrumentality must have an equal financial commitment in the project.
- MARBIDCO takes second position on the collateral security.



Rural Business Working Capital Loan Fund

- Offers low-interest (5% APR) loans to Ag/RBI firms and producers for working capital and equipment purchases.
- Maximum Loan Amount - \$50,000
- A letter of referral from a commercial lender is required
- Certain eligibility requirements apply if USDA-RD funds are being used





2007 Farm Drought and Weather Event Recovery Assistance Loan Fund

- Offers low-interest (5% APR) loans to producers and other rural businesses that have suffered production and income losses due to weather-related events in 2007.
- Maximum loan amount - \$75,000 (\$150,000 if real estate is used as collateral security)
- Evidence of losses due to the drought is required for eligibility.
- For commodities where insurance coverage is available, producers are expected to be participating in some type of insurance program to be eligible to apply.

MARBIDCO Grant (or Grant-type) Programs

- Maryland Farm and Producer Viability Program
- Rural Business Energy Efficiency Grant Program
- Rural Business Energy Efficiency Loan Interest Rate Buy-Down Program
- Maryland Value Added Producer Grant
- Local Government Ag/RBI Project Cost Share Program

Maryland Farm and Producer Viability Program

- Designed to improve the financial viability of producers/processors or assist fledgling rural entrepreneurs through specialized business planning assistance.
- Aim is to help early stage enterprises with operation and market risk assessment and with enhanced business plan development.



Rural Business Energy Efficiency Grant Program

- Facilitates the purchase of equipment or technology related to lowering business-related energy consumption.
- Grant of up to 10% (not to exceed \$5,000) of the cost of purchasing and installing equipment and technology related to lowering business-related energy consumption.
- A copy of a report provided by a third-party energy consultant is required.

Rural Business Energy Efficiency Interest Rate Buy-Down Program



- Facilitates the making of low-interest loans to farm and rural enterprises for the purchase of equipment or technology related to lowering business-related energy consumption.
- This program is an interest rate buy-down program yielding an effective rate of Prime minus 3% (or better).
- A copy of a report provided by a third-party energy audit consultant is required.

Maryland Value Added Producer Grant Program

- Designed to encourage participation in USDA's Value Added Producer Grant Program (both the planning and working capital components).
- Provides a grant of up to 1/3 of the matching requirement required by USDA if successful in obtaining a USDA VAPG.

Local Government Ag/RBI Project Cost Share Program

- Designed to lend support to local rural business development efforts.
- Project must assist in some fashion Maryland's farming, forestry, or seafood industries.
- MARBIDCO's participation cannot exceed that of the local government unless that county is designated as a "One Maryland" jurisdiction.
- If a project benefits an individual farmer or rural business owner, then the farmer or business owner must make a financial commitment to the project.



COMING SOON Rural Land Preservation Facilitation Services

- Installment Purchase Agreements (IPAs), in partnership with MALPF (Winter 2007).
- Next Generation Farmland Acquisition Program (Pending \$).



Installment Purchase Agreements

- Provides structured tax advantaged financial arrangements to help purchase easements on agricultural property likely to otherwise be lost to development.
- Typically term lengths between 10 and 40 years (25-30 year terms preferable, MALPF cannot legally do)
- Done in partnership with MALPF.

Two Types of IPAs

- “Self-funded” IPAs – Coming in winter of 2007
- “Leveraged” IPAs – Legislative authorization needed for a dedicated funding source.

Next Generation Farmland Acquisition Program

- MARBIDCO to work with commercial lenders to help young and beginning farmers to purchase farmland which would also be placed under easement (through use of “easement purchase option”).
- Ag Stewardship Bill (HB 2/2006) strongly recommends providing \$5 million per year to MARBIDCO for the Next Generation Program.



NGFAP Overview

- Property must be “MALPF eligible” and be located in a priority preservation area or otherwise receive county-approval.
- MARBIDCO would purchase an “easement option” for the development rights at 70% fair market value, with those monies being made available to the young farmer at the settlement table.

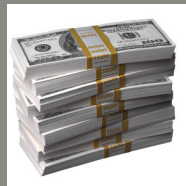


NGFAP Overview (Con't)

- Young farmer has 3 years to “resell” easement for a higher amount and repay MARBIDCO.
- After 3 years, if no action, the easement option would be executed and the easement held by MALPF (by default).

Next Generation Farmland Acquisition Program

- Needs to be included in the State Budget in the future.
- Funding can be either general or special funds.
- Should be done in a fashion that augments MALPF’s existing funding.



Rural Maryland Prosperity Investment Fund (SB 902 & HB 1487/2006)



A Rural Maryland Council Special Report:
2020 Rural Prosperity Investment Initiative
Building on the Past; Investing in the Future

A Vision of Rural Maryland

In the Year 2020, Marylanders living in rural communities are achieving success in education and employment, have access to quality and affordable health care and other vital services, and live in an environment where civic and business entrepreneurship thrives, and where natural and cultural resources are being sustained for future generations.



Available for download:
www.rural.state.md.us

Helps realize the vision:
In 2020, Rural Marylanders are achieving success in education and employment, have access to quality and affordable health care and other vital services, live in an environment where civic and business entrepreneurship thrives, and where natural & cultural resources are being sustained for future generations.

*...helping Maryland's agricultural and rural
industries survive and thrive in the 21st Century*

THANK YOU!



MARBIDCO
growing rural ventures™